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May 28, 2003

VIA ELECTRONIC FILING

Marlene H. Dortch, Esquire
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notification of Ex Parte Communication
MB Docket Nos. 02-277, 01-235, 96-197, 01-317, and 00-244

Dear Ms. Dortch:

This is to advise you, in accordance with Section 1.1206 of the FCC's rules, that on May 27, 2003, I met with Commissioner Kathleen Q. Abernathy's media legal advisor, Stacy R. Robinson, to discuss Media General, Inc.'s concern over any FCC modification of the newspaper/broadcast cross-ownership rule that would provide relief only in some but not all markets, and Media General's belief that surveys, like the "Consumer Survey on Media Usage" prepared by Nielsen Media Research and released by the FCC last fall (the "Nielsen Survey"), do not provide any basis for retaining the rule. The attached materials, including the Statement of Professor Jerry A. Hausman of the Massachusetts Institute of Technology critiquing the Nielsen Survey, were submitted to Ms. Robinson.

As required by Section 1.1206(b), as modified by the policies applicable to electronic filings, one electronic copy of this letter is being submitted for each of the above-referenced dockets. Pursuant to the Commission's *Notice of Proposed Rulemaking* in the above-referenced dockets, two paper copies are being provided to Qualex Intenational by facsimile, and one electronic copy and one paper copy are being provided to Ms. Linda Senecal and Mania Baghdadi, Esquire.

Very truly yours,

M. Anne Swanson

Enclosures
cc w/o encl. (by telecopy): Stacy R. Robinson, Esquire

DCLIB02:1396580-1

cc w/encl. (by telecopy):

The Honorable Michael K. Powell
The Honorable Kathleen Q. Abernathy
The Honorable Kevin J. Martin
The Honorable Michael J. Copps
The Honorable Jonathan S. Adelstein
Susan M. Eid, Esquire
Catherine C. Bohigian, Esquire
Jordan Goldstein, Esquire
Johanna Mikes, Esquire
Jane E. Mago, Esquire
Paul Gallant, Esquire

Statement of Professor Jerry A. Hausman

1. My name is Jerry A. Hausman. I am MacDonald Professor of Economics at the Massachusetts Institute of Technology in Cambridge, Massachusetts, 02139.

2. I received an A.B. degree from Brown University and a B.Phil. and D. Phil. (Ph.D.) in Economics from Oxford University where I was a Marshall Scholar. My academic and research specialties are econometrics, the use of statistical models and techniques on economic data, and microeconomics, the study of consumer behavior and the behavior of firms. I teach a course in "Competition in Telecommunications" to graduate students in economics and business at MIT each year. Competition among broadcast TV, cable networks, direct to home satellite (DTH) providers, newspapers, and radio is one of the primary topics covered in the course. In December 1985, I received the John Bates Clark Award of the American Economic Association for the most "significant contributions to economics" by an economist under forty years of age. I have received numerous other academic and economic society awards. My curriculum vitae is attached as Exhibit 1. I have previously submitted three statements in this omnibus media ownership proceeding as well as material in the radio ownership docket that was incorporated herein by reference.

3. I have significant prior experience in designing and analyzing surveys. I have published numerous academic papers on this topic including topics such as bias from non-response, bias from errors in responses, and biases arising from responses to

hypothetical questions. I served as a member of the Committee on National Statistics from 1985-1990. This committee, part of the National Academy of Sciences, advises government agencies that conduct surveys, such as the Bureau of Labor Statistics, on techniques to improve their survey methodology and analysis. I have previously testified before committees of both the House of Representative and the Senate on biases that often result from using responses to hypothetical questions in consumer surveys.

4. I have reviewed the paper "Consumer Survey on Media Usage" prepared by Nielsen Media Research to determine the economic or statistical basis it could provide for federal restrictions on cross-ownership of newspapers and broadcast stations.[1] Based on my review, I conclude that the Nielsen Survey provides no valid economic or statistical basis for retention of the current newspaper/broadcast cross-ownership rule or any specific modification to it. The survey likely contains substantial biases due to its low response rate and dependence on the answers to hypothetical questions, outside of the real world experience of the sample respondents. The survey also does not address the question whether consumers benefit from the current rule. Further, the survey does not demonstrate any consumer benefit from any policy, either current or proposed. Thus, the survey does not provide any basis for retaining the rule at all, no less in some markets and not others.

5. Empirical research has the potential to be a valuable tool in the evaluation of policy instruments such as the FCC's newspaper/broadcast cross-ownership rule. To

[1] Nielsen Media Research, "Consumer Survey on Media Usage," prepared for the Media Ownership Working Group of the Federal Communications Commission, September 2002 ("Nielsen Survey").

be useful in practice, empirical research must (1) be replicable and either (2) provide a meaningful test of the efficacy of a current or proposed policy outcome or (3) provide a basis for the measurements necessary for specification of the policy.[2] The Nielsen Survey does not appear to be directly useful for any of these purposes in the context of the FCC's newspaper/broadcast cross-ownership rule.

Replication and reliability of the results in the Nielsen Survey

6. The Nielsen Survey is based on a survey of 11,029 households of which 3,136 ultimately completed the interview.[3] This response rate is quite low and raises questions regarding non-random sample responses that may lead to biased results.[4] The sample was selected from households with individuals 18-years of age or older who had previously completed a Nielsen diary.[5] The survey asked individuals about their recent usage of media and about their *imagined* usage of media under hypothetical circumstances not previously encountered in respondents' real world experience.

7. Economists have long been skeptical about the meaning and reliability of responses to survey questions. Concerns for privacy and efforts to appease the questioner may cause some respondents not to be candid about their current or past behavior.

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[2] I have recently published an empirical paper that does this type of research in the context of the Telecommunications Act of 1996 and specifically Section 271 of the Act. *See* J. Hausman *et al.*, "Does Bell Company Entry into Long-Distance Telecommunications Benefit Consumers?," Antitrust Law Journal, 70, 2002

[3] Nielsen Media Research, "Federal Communications Commission Telephone Recontact Study Weighted Data," Issued September 2002, p. 10, attached to Nielsen Survey.

[4] The Nielsen Survey recognizes that non-response errors may create problems in interpretation of its results. *Id.* p. 12.

[5] *Id.* p. 5.

Answers to questions regarding hypothetical circumstances have an extremely poor track record in predicting actual real world behavior as my academic research, and the academic research of other economists, has demonstrated.[6] Absent the need to make actual decisions to allocate time or money under real-life circumstances, questionnaire respondents will be imprecise in answering questions about future behavior. Well-known biases are often the result. These biases cause the survey results to be unreliable. For these and other reasons, questionnaire results, like those in the Nielsen Survey, are not always reliable. Ultimately, the best indicators of individual choices for the uses of time and money are not responses to survey questions but the actual behavior of individuals, referred to by economists as *revealed preference*. Revealed preference behavior allows analysis of real world actions by consumers and often permits evaluation of proposed policy changes.

8. For example, Question 11AB (Table 021) in the Nielsen Survey demonstrates the unreliability of hypothetical questions, outside of the real world experience of the respondents. It asks whether respondents would be more likely to use cable or satellite news channels for news if broadcast TV channels were not available. Since over 80% of US households subscribe to cable or satellite, many sample respondents are unlikely to be aware of the distinction between broadcast TV channels and, say, cable channels.[7] UHF channels are often interspersed with cable channels so that many respondents probably do not know how to interpret the question. Does the

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[6] For a collection of my research and other economists' (and psychologists and statisticians) research in this area, *see* J. Hausman ed., Contingent Valuation: A Critical Appraisal, North Holland, 1993.

[7] In the Nielsen Survey, 83.4% of respondents subscribe to cable TV or satellite service. (Nielsen Survey, Q15, Table 079)

question mean that all VHF and UHF news programs would cease to exist? If so, an economist would expect that the supply of non-broadcast news programs would increase greatly. Did some of the respondents expect a similar outcome when the overall supply of news programs remains approximately constant? Or did some respondents expect that only cable and satellite new programs would remain in the hypothetical situation? I cannot tell from the questionnaire what hypothetical world is being assumed, nor, do I expect, can many respondents. Results from this type of incomplete hypothetical have been demonstrated to often yield biased and unreliable results. Since most of the Nielsen Survey is comprised of answers to these types of hypothetical questions with no analysis of the results for internal consistency, I do not believe the Nielsen Survey can be used in a valid manner to draw policy conclusions.[8]

9. Particular aspects of the Nielsen Survey compound the limitations of its results. Although the sample includes just those households where individuals had previously completed a Nielsen diary, the response rate is less than 30 percent, perhaps in part because of the lengthy and complicated nature of the questionnaire. The survey questions are printed on 13 pages, and the results are presented over more than 100 pages. It is not surprising that approximately half of the sample, after being contacted, refused or failed to complete the survey.

[8] In Hausman (1993), I emphasized the important of tests for internal consistency in responses to hypothetical questions. This requirement has largely been adopted in much of the subsequent research that uses responses to hypothetical questions.

The survey questions do not address the cross-ownership issues before the FCC

10. The questionnaire consists of dozens of questions, but none of them remotely addresses the newspaper/broadcast cross-ownership issues before the FCC. The questions never discuss ownership of media outlets, diversity of ownership, diversity of viewpoint, or diversity of format, much less the potential results from a change in the cross-ownership rule for newspapers and broadcast stations. Television broadcasting is treated imprecisely. Some questions aggregate all television viewing—cable, satellite, and broadcast—together.[9]

11. The survey does not include a discussion of the interpretation of the results in the context of the FCC's newspaper/broadcast cross-ownership rule, nor could any such discussion logically be presented. From no question in the survey can one construct a test of a hypothesis related to the newspaper/broadcast cross-ownership rule. Any hypothesis related to consumer welfare benefits or harms from the newspaper/broadcast cross-ownership rule cannot be tested from the Nielsen Survey's results.

12. The Nielsen Survey presents respondents with hypothetical situations that are unrelated to any retention or abolition of the current newspaper/broadcast cross-ownership rule. For example, Tables 021 through 026 ask respondents about their reaction to *all* broadcast channels becoming unavailable while other media outlets remain available. Examination of the survey results does not produce evidence of a unique relationship between broadcast television and newspapers. The responses related to cable television programming, for example, appear to have a relationship to the responses for

[9] *See, e.g.*, Nielsen Survey, Table 001 and Table 006.

newspapers which is fairly similar to the relationship between the responses for broadcast television and newspapers.

The Nielsen Survey does not provide a basis for measuring parameters for a new newspaper/broadcast cross-ownership rule

13. To the extent that the FCC decides to keep part or all of the newspaper/broadcast cross-ownership rule, the Nielsen Survey does not provide a basis for either existing or new parameters for this rule. For example, recent trade accounts suggest that the FCC may be considering limiting the rule to some but not all markets.[10] The Nielsen Survey simply does not address different market sizes or market characteristics, much less provide a basis to retain the newspaper/broadcast cross-ownership rule in some markets but not others.

May 27, 2003

[10] *See, e.g.*, B. McConnell, "Broadcasters Face 'Sweet Buy and Buy' with New Dereg Rules," *Broadcasting & Cable*, May 19, 2003, p. 1.

EXHIBIT 1

April 2003

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EDUCATION:

OXFORD UNIVERSITY
D. Phil. 1973 (Ph.D)
B. Phil. 1972

BROWN UNIVERSITY
A.B. (Summa Cum Laude), 1968

THESIS: "A Theoretical and Empirical Study of Vintage Investment and Production in Great Britain," Oxford University, 1973.

FELLOWSHIPS, HONORS AND AWARDS:

Phi Beta Kappa
Marshall Scholar at Oxford, 1970-1972
Scholarship at Nuffield College, Oxford, 1971-1972
Fellow, Econometric Society, 1979.
Frisch Medal of the Econometric Society, 1980
Fisher-Schultz Lecture for the Econometric Society, 1982
John Bates Clark Award of the American Economic Association, 1985
Jacob Marschak Lecture for the Econometric Society, 1988
Fellow, National Academy of Social Insurance, 1990
American Academy of Arts and Sciences, 1991.
Fellow, Journal of Econometrics, 1998.
Shann Memorial Lecture for the Australian Economics Society, 2003

EMPLOYMENT:

	MASSACHUSETTS INSTITUTE OF TECHNOLOGY
1992-	John and Jennie S. MacDonald Professor
1979-	Professor, Department of Economics
1976-79	Associate Professor, Department of Economics
1973-76	Assistant Professor, Department of Economics
1972-73	Visiting Scholar, Department of Economics
	VISITING APPOINTMENTS:
1986-87	Visiting Professor, Harvard Business School
1982-83	Visiting Professor, Harvard University Department of Economics
	Visiting Positions: University of Washington, Brigham Young University, Australian National University, Ecole Normale Supérieure, Oxford University, University of Sydney, Wuhan University, Beijing University, University of Western Australia
	U.S. ARMY, ANCHORAGE, ALASKA
1968-70	Corps of Engineers

PROFESSIONAL ACTIVITIES:

Associate Editor, Bell Journal of Economics, 1974-1983
Associate Editor, Rand Journal of Economics, 1984-1988
Associate Editor, Econometrica, 1978-1987
Reviewer, Mathematical Reviews, 1978-1980
American Editor, Review of Economic Studies, 1979-82
Associate Editor, Journal of Public Economics, 1982-1998
Associate Editor, Journal of Applied Econometrics, 1985-1993
Member of MIT Center for Energy and Environmental Policy Research, 1973-
Research Associate, National Bureau of Economic Research, 1979-
Member, American Statistical Association Committee on Energy Statistics, 1981-1984
Special Witness (Master) for the Honorable John R. Bartels, U.S. District Court for the Eastern District of New York in Carter vs. Newsday, Inc., 1981-82
Member of Governor's Advisory Council (Massachusetts) for Revenue and Taxation, 1984-1992
Member, Committee on National Statistics, 1985-1990
Member, National Academy of Social Insurance, 1990-
Member, Committee to Revise U.S. Trade Statistics 1990-1992
Director, MIT Telecommunications Economics Research Program, 1988-
Board of Directors, Theseus Institute, France Telecom University, 1988-1995
Member, Conference on Income and Wealth, National Bureau of Economic Research, 1992-
Member, Committee on the Future of Boston, 1998
Advisory Editor, Economics Research Network and Social Science Research , 1998-
Advisory Editor, Journal of Sports Economics, 1999-
Member, GAO Expert Panel to advise USDA on Econometric Models of Cattle Prices, 2001-2

PUBLICATIONS:

I. Econometrics

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"Minimum Distance and Maximum Likelihood Estimation of Structural Models in Econometrics," delivered at the European Econometric Congress, Grenoble: August 1974.

"Full-Information Instrumental Variable Estimation of Simultaneous Equation Models," Annals of Economic and Social Measurement, October 1974.

"Estimation and Inference in Nonlinear Structural Models," Annals of Economic and Social Measurement, with E. Berndt, R.E. Hall, and B.H. Hall, October 1974.

"An Instrumental Variable Approach to Full-Information Estimators in Linear and Certain Nonlinear Econometric Models," Econometrica, 43, 1975.

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"The Econometrics of Labor Supply on Convex Budget Sets," Economic Letters, 1979.

"Panel Data and Unobservable Individual Effects," with W. Taylor, Econometrica 49, November 1981.

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"Full-Information Estimators," in Kotz-Johnson, Encyclopedia of Statistical Science, vol. 3, 1983

"Instrumental Variable Estimation," in Kotz-Johnson, Encyclopedia of Statistical Science, vol. 4, 1984

"Specification Tests for the Multinomial Logit Model," with D. McFadden, Econometrica, 52, 1984.

"Econometric Models for Count Data with an Application to the Patents R&D Relationship," with Z. Griliches and B. Hall, Econometrica, 52, 1984.

"The Econometrics of Nonlinear Budget Sets," Fisher-Shultz lecture for the Econometric Society, Dublin: 1982; Econometrica, 53, 1985.

"The J-Test as a Hausman Specification Test," with H. Pesaran, Economic Letters, 1983.

"Seasonal Adjustment with Measurement Error Present," with M. Watson, Journal of the American Statistical Association, 1985.

"Efficient Estimation and Identification of Simultaneous Equation Models with Covariance Restrictions," with W. Newey and W. Taylor, Econometrica, 55, 1987.

"Technical Problems in Social Experimentation: Cost Versus Ease of Analysis," with D. Wise, in Social Experimentation, ed. J. Hausman and D. Wise, 1985.

"Errors in Variables in Panel Data," with Z. Griliches, Journal of Econometrics, 1986.

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II. Public Finance and Regulation

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"State Regulation of Cellular Prices," Wireless Communications Forum, Volume III, April 1995.

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"Superstars in the National Basketball Association: Economic Value and Policy," with G. Leonard, Journal of Labor Economics, 15, 4, 1997.

"Valuation of New Services in Telecommunications," with T. Tardiff, The Economics of the Information Society, ed. A. Dumort and J. Dryden, Office for Official Publications of the European Communities, Luxemborg, 1997.

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Media General PRESS RELEASE

FOR IMMEDIATE RELEASE
Tuesday, May 6, 2003

Media General Newspapers Lead in Several States in Circulation Growth, Tampa Tribune Nation's Fastest-Growing Large Newspaper

Richmond, Va. - Media General newspapers were the leaders in daily and Sunday circulation growth in Florida, North Carolina and Virginia during the October 2002 to March 2003 period, compared to the same period for 2001-2002. The company's largest newspaper, The Tampa Tribune, was a national leader among large-circulation dailies, according to a report released yesterday by the Audit Bureau of Circulations (ABC).

Net paid Sunday circulation of The Tampa Tribune rose by 5.1 percent, faster than any other newspaper in the country with circulation over 225,000. The Tribune's daily circulation rose by 5.9 percent, making it the second fastest-growing large-circulation daily. Circulation grew by over 13,000 daily and 15,000 Sunday.

"The results in Tampa show the positive impact of a comprehensive circulation growth plan, which we implemented in the second half of 2002," said H. Graham Woodlief, Jr., president of the company's Publishing Division.

Also in Florida, Media General's Jackson County Floridan, in Marianna, showed the strongest circulation gains among newspapers in the state regardless of size, at 17.2 percent daily and 8.5 percent Sunday.

In North Carolina, results for the Hickory Daily Record will be published next week in an update of the ABC report. October to March growth rates of 10.9 percent daily and 9.3 percent Sunday put the Daily Record in the lead in the state.

Media General's Manassas (Va.) Journal-Messenger, which serves the Washington, D.C. suburbs in Northern Virginia, captured the top ranking for daily circulation growth at 35.1 percent. On Sundays, the newspaper joins the Potomac News in a combined edition, which, at 11.9 percent, is Virginia's fastest growing Sunday newspaper.

"We are delighted with our overall results," said Woodlief. "The increases occurred after we launched a readership initiative in which our newspapers fine-tuned their focus on community needs, backed by in-depth market research. The timing suggests that our papers' efforts to provide more local news, better layout and design, and deeper community connections are driving readership," he said.

The ABC report also shows that circulation growth was achieved by a majority of the company's 17 papers that reported results to the ABC. Twelve reported daily gains, and 10 reported Sunday gains. (See attached table.)

"The best news is that substantial growth is occurring in both large and small markets," said Woodlief. "The Tribune's home market, Tampa Bay, is the nation's 13th largest metropolitan area. Hickory, N.C. is a town of approximately 38,000," he said.

The Audit Bureau of Circulations is a non-profit industry organization that provides media buyers, publishers and financial institutions with verified circulation data for paid publications. The ABC is widely considered the authoritative source of circulation data.

About Media General

Media General (NYSE:MEG) is an independent communications company situated primarily in the Southeast with interests in newspapers, television stations, interactive media and diversified information services. The company's publishing assets include The Tampa Tribune, the Richmond Times-Dispatch, the Winston-Salem Journal and 22 other daily newspapers in Virginia, North Carolina, Florida, Alabama and South Carolina, as well as nearly 100 other periodicals and a 20 percent interest in The Denver Post. Media General's 26 network-affiliated television stations reach more than 30 percent of the television households in the Southeast, and nearly 8 percent of those in the United States. The company's extensive interactive media offerings include more than 50 online enterprises. Media General also has a 33 percent interest in SP Newsprint Co., which operates newsprint mills in Dublin, Ga., and Newberg, Ore.

Media General Newspaper Circulation
October 2002 to March 2003

			Paid Daily Circulation, Daily Avg.			
State	**City (County)**	**Newspaper Name**	**6 months ending 03/31/03**	**6 months ending 03/31/02**	**Change**	**% Change**
VA	PRINCE WILLIAM COUNTY	JOURNAL MESSENGER	6,931	5,131	1,800	**35.08**
FL	MARIANNA	JACKSON COUNTY FLORIDAN	6,413	5,474	939	**17.15**
NC	HICKORY	RECORD	22,255	20,065	2,190	**10.91**
FL	TAMPA	TRIBUNE	238,176	224,921	13,255	**5.89**
AL	OPELIKA	NEWS	15,362	14,913	449	**3.01**
NC	STATESVILLE	RECORD & LANDMARK	15,294	14,902	392	**2.63**
NC	MORGANTON	NEWS HERALD	11,610	11,402	208	**1.82**
VA	CHARLOTTESVILLE	PROGRESS	30,974	30,447	527	**1.73**
VA	DANVILLE	REGISTER & BEE	22,243	22,062	181	**0.82**
VA	WAYNESBORO	NEWS-VIRGINIAN	8,296	8,269	27	**0.33**
NC	WINSTON-SALEM	JOURNAL	86,699	86,544	155	**0.18**
VA	BRISTOL	HERALD COURIER	41,417	41,364	53	**0.13**
VA	LYNCHBURG	NEWS & ADVANCE	37,838	37,953	(115)	**(0.30)**
VA	PRINCE WILLIAM COUNTY	POTOMAC NEWS	15,797	15,854	(57)	**(0.36)**
VA	RICHMOND	TIMES-DISPATCH	192,500	193,582	(1,082)	**(0.56)**
AL	DOTHAN	EAGLE	35,024	35,584	(560)	**(1.57)**
NC	CONCORD-KANNAPOLIS	INDEPENDENT TRIBUNE	20,006	20,463	(457)	**(2.23)**

State	City (County)	Newspaper Name	Paid Sunday Circulation, Daily Avg. 6 months ending 03/31/03	6 months ending 03/31/02	Change	% Change
VA	PRINCE WILLIAM COUNTY	POTOMAC NEWS & JOURNAL MESSENGER	21,491	19,213	2,278	**11.86**
NC	HICKORY	RECORD	23,627	21,624	2,003	**9.26**
FL	MARIANNA	JACKSON COUNTY FLORIDAN	6,680	6,159	521	**8.46**
FL	TAMPA	TRIBUNE & TIMES	313,693	298,623	15,070	**5.05**
AL	OPELIKA	NEWS	15,323	14,949	374	**2.50**
VA	LYNCHBURG	NEWS & ADVANCE	43,281	42,392	889	**2.10**
VA	CHARLOTTESVILLE	PROGRESS	35,203	34,499	704	**2.04**
VA	DANVILLE	REGISTER & BEE	25,361	25,138	223	**0.89**
NC	MORGANTON	NEWS HERALD	12,118	12,058	60	**0.50**
VA	BRISTOL	HERALD COURIER	42,846	42,824	22	**0.05**
NC	WINSTON-SALEM	JOURNAL	97,447	97,813	(366)	**(0.37)**
VA	RICHMOND	TIMES-DISPATCH	230,021	232,118	(2,097)	**(0.90)**
VA	WAYNESBORO	NEWS-VIRGINIAN	7,742	7,815	(73)	**(0.93)**
AL	DOTHAN	EAGLE	36,679	37,107	(428)	**(1.15)**
NC	CONCORD-KANNAPOLIS	INDEPENDENT TRIBUNE	22,147	22,607	(460)	**(2.03)**
NC	STATESVILLE	RECORD & LANDMARK	15,917	16,281	(364)	**(2.24)**